



California ISO

# Decision on reliability coordinator services rate design, terms, and conditions

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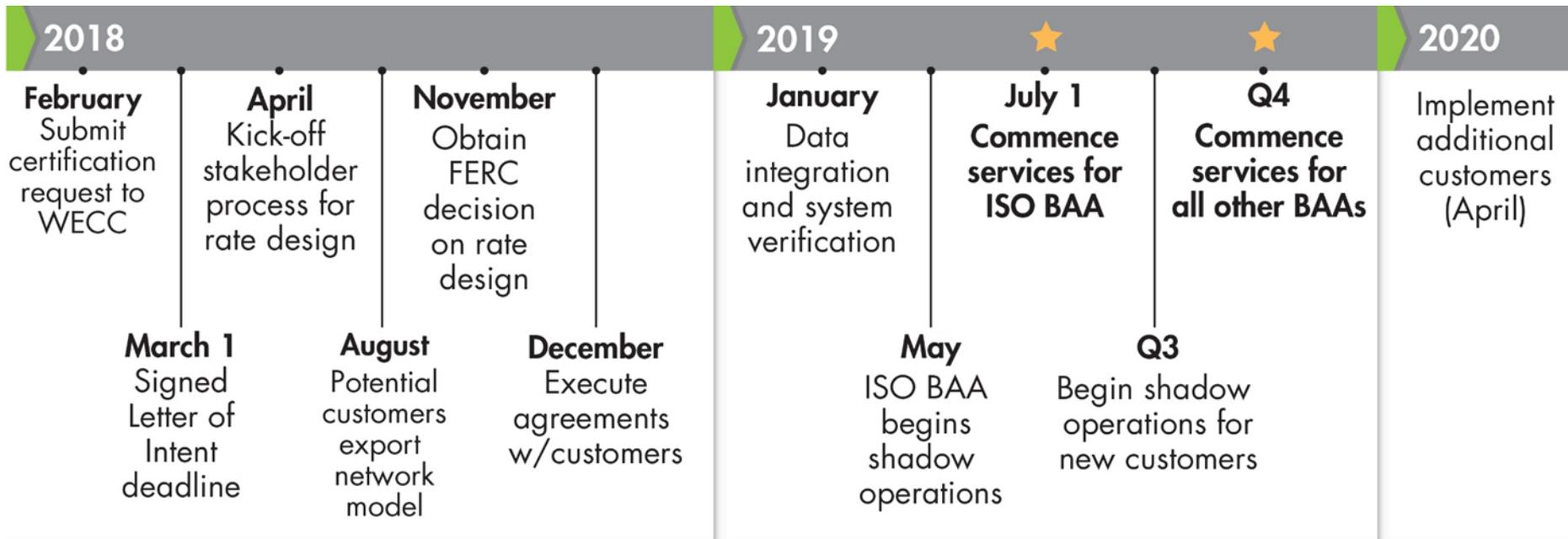
# The ISO is uniquely positioned to provide quality Reliability Coordination services

- ISO can leverage existing capabilities in the Western Interconnection:
  - operating a large Balancing Authority Area and an EIM market area that is expected to serve 65% of the load
  - maintaining a detailed network model for most of west
  - utilizing sophisticated analytical tools that can easily be extended across a large reliability coordination area
  - integrating data communications that already support a mature and robust data platform
- ISO can provide high quality RC service for roughly 40% of current costs

# ISO plans to become Reliability Coordinator in 2019 through three parallel tracks

- Track 1: Development of Reliability Coordinator rate design, terms, and conditions through the open ISO stakeholder process, including tariff and agreement
- Track 2: Development of key deliverables required for WECC certification, coordination by Reliability Coordinator Project Steering Committee, working groups and task force teams
- Track 3: Onboarding, implementation of tools and technology to integrate applications, readiness criteria, training, and customer service

# RC Implementation Timeline



Leveraging our existing rate design framework, a percentage allocation of the revenue requirement will be used to fund RC services.

- Percentage is based upon modified cost of service study assessing impacts of RC services and will be phased with planned implementation schedule.
  - 2% beginning July 1, 2019 (initial RC area)
  - 9% beginning November 1, 2019 (full RC area)
  - Percentages remain fixed until next triennial cost of service study (to be conducted in 2020 for 2021 rates)

# RC revenue streams will reduce GMC and EIM rates.

<b>Revenue Requirement Component</b> <i>(\$ in millions)</i>	<b>Modified Cost of Service Study</b>
Operations & Maintenance Budget	<b>\$192.6</b>
Debt Service (including 25% reserve)	<b>16.9</b>
Cash Funded Capital	<b>22.0</b>
Other Costs and Revenues	<b>(18.6)</b>
Operating Costs Reserve Adjustment	<b>(7.8)</b>
<b>Revenue Requirement sub-total prior to RC funding</b>	<b>\$205.1</b>
RC Core Service Income (9%)	<b>(18.5)</b>
<b>GMC Revenue Requirement</b>	<b>\$186.6</b>

## Other rate design elements:

- Annual billing in January based upon Net Energy for Load, Net Generation, or Minimum Charge
- Payments due 21 business days after invoice to avoid late fees and default procedures
- Billing for 2019 services will be included on January 2020 invoice
- Voluntary supplemental services to be billed separately
  - Hosted Advanced Network Applications, CIP-014

# RC Services Agreement (RCSA)

- Pro-Forma FERC approved agreement
  - For Balancing Areas and Transmission Operators
- Term of service
  - Initial period of 18 months
  - Annual renewal
  - 12 month notice for Entry and Exit - April each year
- RC Services
  - Core RC services
  - Selection of supplemental services

# Stakeholders are broadly supportive of the rate design.

- Many of the provisions in the proposal are a result of stakeholder feedback
- Some customers still seeking clarity and understanding
- A number of customers would like stronger cost containment measures
  - Management believes current cost containment measures are adequate

Management recommends Board approve the RC services rate design, terms, and conditions.

- Broadly supported by stakeholders
- Prepared to initiate RC services during 2019
- The current proposal is flexible enough to support the phased implementation and varied number of potential customers
- Upon FERC approval, the ISO will be able to initiate the execution of the RC Services Agreements